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SUBJECT: WITH COMPROMISE, GOI SEES HOPE FOR SUCCESSFUL HONG KONG MINISTERIAL

REF: STATE 199861

Classified By: Acting EcMin Kathleen Reddy for Reasons 1.4 (b) and (d)

11. (U) Summary: On November 8, Amadeo Teti, Vice Ministry of Trade Director General for Commercial Agreements, laid out for Acting EcMin the recipe for a successful Hong Kong Ministerial: (i) U.S. and EU compromise on key issues, (ii) collaborative work to build momentum in the negotiations, (iii) increased pressure on other countries to compromise on NAMA and services market access and geographical indicators. Teti said the GOI could help the USG with the French at the Hong Kong Ministerial. End summary.

12. (C) Teti, who accompanied Trade Vice-Minister Adolfo Urso to Brussels for meetings with EU Trade Commissioner Peter Mandelson earlier in the week, said the GOI wants to give Mandelson flexibility in the negotiations leading to the Hong Kong Ministerial. Urso and Teti personally pressed Mandelson to seek progress on NAMA and service market access and geographical indicators (GIs) from other WTO members. With progress on these three issues, Italy believes other EU states will be more flexible on agriculture. Urso and Teti also told Mandelson that the EU position on services is "too ambitious," and that the EU should try to find common ground with the "more realistic" U.S. position.

13. (C) Mandelson sought Urso's view on moving the negotiations forward. Urso said "shorten the distance between the EU and the United States" and work with the USG to press developing countries for better NAMA and services market access. Teti said he advised Mandelson to give the USG a "good sign" and be "less aggressive" on food aid.

14. (C) Mandelson then asked Urso and Teti for their take on the French negotiating strategy. Urso and Teti only noted that "we used to understand France better." Teti added that the USG should feel free to approach the GOI for help with the French at the Hong Kong Ministerial.

15. (C) Comment: Recently, Teti has optimistically predicted success if compromises can be made on a NAMA, services market access, and GIs. In contrast to his own optimism, Teti reported that Mandelson is "deeply concerned" about the state of the Doha Round, especially the agricultural negotiations. While we agree with Teti that the EU must take measures to reduce the distance between its proposals and those of the USG, it is hard to imagine Italy playing a prominent role in that effort prior to parliamentary elections in April 2007, when the agricultural vote will be so important to the center-right. Similarly, it is hard to imagine the GOI reaching out to encourage the French to compromise on agriculture without major concessions from us on issues such as GIs. End comment.

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